Don't Kill California's Recovery

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By George Runner

With jobless numbers still at record highs, it wouldn't be right to declare California's economic downturn over anytime soon. Even so, glimmers of hope are beginning to emerge that the Golden State is inching its way toward economic recovery.

Let's hope the politicians don't mess it up.

In his recent State of the State address, Governor Jerry Brown said "we will not create the jobs we need unless we get our financial house in order."

Unfortunately the Governor's proposals to put California's financial house in order are starting to look more like a wrecking ball than a rescue plan. His budget proposes billions of dollars in taxes on the private sector—the very folks he wants to create more jobs.

It may seem like a distant memory, but merely two years ago, a different Governor and Legislature tried taxing their way out of a similar budget mess. Since then California has lost more than half a million jobs and our state's unemployment rate has grown by 20%.

We clearly don’t need an empirical study to tell us that tax hikes don't create jobs.

Even so, Governor Brown is proposing to extend these very same tax increases for five more years. If approved, Californians will pay $45 billion more in income taxes, sales taxes and vehicle taxes.

On top of this, the Governor is proposing to eliminate a number of tax incentives that currently encourage businesses to create and retain jobs in our state. Under his proposals, private sector employers, including many small businesses, would pay more than $2 billion in retroactive taxes this year and increased taxes for years to come.

The Governor calls his budget solution a "balanced approach" since it includes both tax increases and cuts. But in reality, his approach is anything but balanced.

A balanced approach would recognize that the private sector has been devastated by the economic downturn—more so in California than other states. In the past three years, more than one million private sector workers have lost their jobs.

During that same time period, guess how much state employment shrunk?

It didn’t. According to the latest Employment Development Department numbers, state employment actually grew by 1,200 jobs. We now have 489,000 state workers—nearly half a million—whose wages and benefits are paid by a private sector that is a million workers smaller.

And now the Governor is asking the private sector to step up and pay even more to protect those state workers' paychecks.

Does that seem balanced to you?

To be clear, I'm not saying I want state workers to lose their jobs. I wouldn't wish that on anyone. My point is simply that private sector workers provide the tax dollars that allow state government to pay its bills, including the paychecks of state workers.

California currently has the second highest unemployment rate in the nation. Our elected leaders could have responded aggressively months—even years—ago to protect California jobs and improve our state's dismal business climate, but they didn't. It's only fair that government shares the pain.

California's real problem is jobs, not revenues. When jobs are plentiful, government always has plenty of revenues. When jobs are scarce, as they are now, government revenues dry up.

Solve the jobs problem, and you'll solve California's budget problem—not to mention a few other problems as well.

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